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Message Text

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ACTION EA-09

INFO OCT-01 AS-01 ISO-00 IO-13 EB-07 COME-00 TRSE-00
OMB-01 EPG-02 AID-05 IGA-02 FMC-01 CIAE-00
DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02
DOTE-00 XMB-02 /061 W
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R 060622Z JUL 77
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 7841
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY MANILA

C O N F I D E N T I A L KUALA LUMPUR 4262

E.O.11652: GDS
TAGS: ETRD, MY, AS
SUBJECT: ASEAN TRADE DISPUTE WITH AUSTRALIA

REFS: A) SINGAPORE 2735; B) SINGAPORE 2781 (NOTAL)

1. JUST BEFORE DEPARTING FOR RECENTLY CONCLUDED FOURTH ASEAN MINISTERS MEETING IN SINGAPORE, MINISTER OF TRADE AND INDUSTRY, DATUK HAMZAH BIN ABU SAMAH, ATTACKED AUSTRALIA'S PROTECTIONIST POLICIES AND CALLED FOR JOINT RETALIATION BY THE MEMBER COUNTRIES OF ASEAN. THIS WAS DISCUSSED DURING THE MEETINGS AND WAS MENTIONED BY PRIME MINISTER LEE KWAN YEW DURING HIS FORMAL OPENING REMARKS. BY THE TIME THE FINAL COMMUNIQUE HAD BEEN WRITTEN, HOWEVER, CALL FOR RETALIATION HAD BEEN WATERED DOWN TO AN EXPRESSION OF GRAVE CONCERN OVER PROTECTIONIST TRADE POLICIES OF "CERTAIN DEVELOPED COUNTRIES WHICH ARE ADVERSELY AFFECTING THE ECONOMIES OF THE ASEAN COUNTRIES".

2. GOA TRADE OFFICIALS IN KUALA LUMPUR ARE FURIOUS AT MALAYSIAN TACTICS. SENIOR AUSTRALIAN TRADE COMMISSIONER TOLD EMBOFF THAT
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"IN MY PERSONAL OPINION, PRIME MINISTER FRASER WILL NOT ATTEND ASEAN SUMMIT IN AUGUST IF THESE ATTACKS CONTINUE". THIS STATEMENT NOTEWORTHY IN THAT IT IS ALMOST EXACTLY THAT USED BY AUSTRALIAN OFFICIAL IN SINGAPORE (REF B). AUSTRALIANS DO NOT BELIEVE THEIR POLICIES ARE PARTICULARLY HURTING MALAYSIA AND SUSPECT THAT ENTIRE DISPUTE MAY WELL BE MORE A MATTER OF MALAYSIAN DOMESTIC POLITICS THAN ANYTHING ELSE. AS AUSTRALIAN REP POINTED

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OUT, MALAYSIA IS LOOKING TO RENEGOTIATE LONG-TERM SURGAR CONTRACT THEY ENTERED INTO WITH AUSTRALIA AT TIME WHEN SUGAR PRICES AT ALL-TIME HIGH. PUBLIC CRITICISM OF AUSTRALIAN POLICIES UNLIKELY TO GENERATE MUCH SYMPATHY TOWARDS RENEGOTIATING CONTRACT.

3. COMMENT: EMBASSY BELIEVES THAT DESPITE SOME SERIOUS IRRITATION ON PART OF MALAYSIANS OVER AUSTRALIA'S TRADE POLICIES THIS ENTIRE MATTER HAS BEEN DRUMMED UP FOR DOMESTIC POLITICAL IMPACT. IT NO COINCIDENCE THAT HAMZAH'S STATEMENT ISSUED JUST BEFORE ANNUAL GENERAL MEETING OF UNITED MALAY NATIONAL ORGANIZATION (LEADING POLITICAL PARTY IN MALAYSIA). DATUK HAMZAH SEES HIMSELF AS ONE OF LEADING POLITICAL LIGHTS IN MALAYSIA AND HAS BEEN KNOWN TO GO OFF HALF-COCKED ON PUBLICITY-SEEKING JAUNTS BEFORE. WE DO FIND IT INTERESTING TO NOTE THAT MALAYSIA, WHICH HAD A TRADE SURPLUS OF US$1.5 BILLION IN 1976, IS SO EXERCISED OVER HER TRADE DEFICIT WITH AUSTRALIA FOR THE SAME YEAR OF US$259 MILLION.
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